

Message Text

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ACTION EUR-25

INFO OCT-01 ISO-00 SP-03 AID-20 EB-11 NSC-07 RSC-01

CIEP-02 TRSE-00 SS-20 STR-08 OMB-01 CEA-02 AGR-20

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FM AMEMBASSY BONN

TO SECSTATE WASHDC 3243

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DEPARTMENT PASS AGRICULTURE

E.O. 11652: N/A

TAGS: EAGR, GW

SUBJECT: SOYBEAN CAP

REF: BRUSSELS 4057

1. MINAG CONTACTS INFORMED US THAT THEY INTEND TO SEEK A COMPROMISE ON THE SOYBEAN CAP. THEY ARE OPTIMISTIC THAT PAYMENT OF THE SUBSIDY AT THE END OF THE MARKETING SEASON WILL BE ACCEPTED. THEY WILL CONTINUE TO PRESS FOR PAYMENTS BASED ON AVERAGE YIELDS ACREAGE OR ANY BASIS THAT TENDS TO LIMIT PROGRAM COSTS, BUT ADMIT THAT CHANCES FOR ADOPTION ARE SLIM.

2. THE PAST POSITION OF THE GERMAN DELEGATION WAS THAT THE SUBSIDY TO SOYBEAN GROWERS BE BASED ON THE DIFFERENCE BETWEEN THE SUPPORT PRICE AND THE WORLD MARKET PRICE DURING THE MARKETING YEAR. FURTHER THAT PAYMENTS BE MADE TO PRODUCERS ON AN AVERAGE YIELD ACREAGE BASIS. MINAG OFFICIALS ARGUED THAT THEIR PROGRAM WOULD REDUCE THE INCENTIVE TO EFFICIENT SOYBEAN PRODUCERS BY LOWERING

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SUBSIDY PAYMENTS PER UNIT OF OUTPUT, AND BY INTRODUCING

A DEGREE OF PRICE UNCERTAINTY RELATIVE TO OTHER CROPS AT PLANTING TIME. MINAG REPS BELIEVE THE FRENCH WILL ACCEPT THE DEFERRED PAYMENT PLAN BUT WILL OPPOSE ANY ATTEMPTS TO PUT A LID ON PRODUCTION WHETHER THROUGH YIELDS OR ACREAGE.

3. IN OUR DISCUSSION WITH MINAG OFFICIALS, WE AGAIN POINTED OUT THAT THE AWKWARD-SITUATION WHICH HAS NOW DEVELOPED IS A NATURAL CONSEQUENCE OF HAVING EARLIER ACCEPTED THE SOYBEAN CAP IN PRINCIPLE. WE CONTENDED THAT ANY SOYBEAN SUBSIDY PROGRAM WILL BE COSTLY AND WILL NOT CONTRIBUTE TO THE WELFARE OF GERMAN LIVESTOCK FARMERS, CONSUMERS, OR KEEPING DOWN THE FEDERAL BUDGET.
HILLENBRAND

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